

NEWS

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Central Asia Finds A Nifty Way To Fund Two Kazakh Projects Into Production Without Recourse To Banks

By Charles Wyatt

If you had to choose a “stan” country in which to mine, Kazakhstan would probably come close to top of the list. For a long time now this country has been a major producer of oil and gas, but not so many people know that it is second only to Canada in production of uranium. It is a huge country – the ninth largest in the world and as big as all the other “stan” countries put together. And the fact that it is rich in these, and other, resources means that it has more infrastructure than most of its peers and more skilled labour. Its biggest neighbours are Russia and China, both of whom are interested in oil. And across the steppes and over the sea, Japan is involved in uranium. There is always a downside in these countries of the Former Soviet Union, and Jason Stirbinskis, chief executive of ASX listed Central Asia Resources admits that the bureaucracy can be tedious. On the plus side he points out that exploration during the Russian era was very blinkered. Geologists exploring for gold would not test core for copper, and vice versa, so there are now plenty of opportunities for those with an open mind.

Jason came into the company in February last year and soon after that A\$14 million was raised by a placement. Although it may not have been fully appreciated at the time, this meant that Central Asia could go on exploring its projects in Kazakhstan during the dogs days towards the end of 2008 when a lot of juniors simply disappeared down holes in the ground themselves. During that period Jason wasted no funds on promotion, but Minews did run into him at a conference in London that was focussed on mining in Kazakhstan and other countries of the FSU. Jason has now got his company into a very interesting position, and London is the place he wants to start rolling out the story as it was London that provided virtually all the money in that placing. Unfortunately his arrival here was marred by Malaysian Airlines losing the bags with all his clothes, pamphlets and annual reports in, but he still seemed cheerful.

So would anyone with such an interesting story to tell. When he joined Central Asia it had six gold and base metals projects in Kazakhstan, all of which had Russian and historical unclassified resource estimates, which the company has been upgrading to current JORC estimates. Very recently Jason was able to announce that the company’s gold resources had topped the magic million mark, following revised estimates for the Kepken and Altyntas properties. What makes the company stand out from most of its peers, particularly in this region, is that its two most advanced projects will go into production in sequence between now and 2012. First will be the small Dalabai project which is on the prolific Tienshan gold belt in the south east of the country. This will be followed by the significantly larger Altyntas JV which is situated 700 kilometres to the west of it on the Chu-Ily metallic belt which protrudes out of Tienshan.

The first question any investor will ask is how any company with A\$4.5 million in the kitty can start to talk about production. The answer is the one that we at Minesite have been trying to hammer home throughout the recent fallout. With problems come opportunities and it is then that brains, rather than money, are key to success. The answer that Jason found can be given in one word – Steelstruct. It may not mean much to investors in the northern hemisphere, but Steelstruct is a Western

Australian company with an enviable reputation for its successful work with blue chip clients, such as Alcoa World Alumina, BHP, Alcan Aluminium, Metso Minerals and Queensland Alumina. Its success is built on a commitment to offer superior engineering skills, with the capacity to resolve complex projects, on time and on budget. Last year it might not have shown much interest in Jason’s proposal that it might construct a mill and heap leach plant in Kazakhstan, but times are different now and Steelstruct has 180 people not fully employed at its works in Thailand.

The deal is that Steelstruct can earn a 49 per cent interest in Dalabai based on a fixed price contract to construct the plant. Its payment will be generated out of early cash flow, all of which will accrue to Steelstruct until it has been paid. The result, as Jason points out, is that Steelstruct has work for its employees and Central Asia gets a Rolls Royce job. Dalabai is small but simple - a heap leach with above average recovery of 74 per cent, on a main road and with access to power, water and a workforce. It is also only 30 kilometres away from another of Central Asia’s projects at Bizhe, which has potential to be a satellite deposit. A resource update and more details of production are due from Dalabai shortly, but this still will not change the fact that it is merely the precursor to Altyntas.

It will not take a brain surgeon to surmise that the two projects were probably linked together by Steelstruct when it got involved. Certainly Jason was thinking in that direction as the mill at Dalabai will have a capacity of one million tonnes a year. The twist here is that capacity of no more than 500,000 tonnes is required at Dalabai and it has a very short life, so the implication is that the plant will then be moved to Altyntas, which requires bigger capacity. In fact it is a bigger project altogether and already has a resource of over 500,000 ozs gold which will be amenable to open pit mining methods and gravity /CIL processing. Exactly how this will all pan out has not been decided as yet as the life of Dalabai could be extended by Bizhe, but the important point is that Jason seems to have found a way of bringing two projects into production without any major recourse to banks.

Cash flow from Dalabai will pay Steelstruct and a similar policy can be adopted for Altyntas, though no agreement is in place at the moment. There is plenty of scope to increase the resource at Altyntas as only 25 per cent of the project has been explored at the moment. The grade of 2.27 g/t is excellent for an open pit. It is also only 40 kilometres from an established mining town so no great problems over infrastructure or mining. The last point to be made at this stage is that Jason has two vital Kazakhs on his team. Erulan Kanapyanov was involved in the sale of the projects to Central Asia; has retained a five to 10 per cent interest in each, and he is a very influential entrepreneur and businessman. He is also a director of the company and can make vital introductions which may lead to further acquisitions. The head of exploration spent 20 years with the Geological Survey of Kazakhstan so he certainly knows his way around. Jason himself will be building a fan club in London as another fundraising is envisaged this year, and hopefully he will present at one of our Forums in the autumn.